ECONOMICS OF LESS DEVELOPED COUNTRIES

EC3040b
Spring 2018

Lecture Notes 4

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Course Outline

1. Contemporary Theories of Economic Development
2. Policymaking: What Role for the State in Development?
3. The Role of Institutions in Development
4. **Aid: Does it Work?**
5. Trade: Engine of Growth or Obstacle to Development?
6. Domestic and International Finance: Opportunities and Instability
7. Economic Growth and Environmental Sustainability

Are You an Aid Optimist or a Pessimist?

- “I have identified the specific investments that are needed [to end poverty]; found ways to plan and implement them; [and] shown that they can be affordable.” - *Jeffrey Sachs*, End of Poverty

- “After $2.3 trillion over 5 decades, why are the desperate needs of the world's poor still so tragically unmet? Isn't it finally time for an end to the impunity of foreign aid?” - Bill Easterly, The White Man’s Burden

Lecture Outline

1. Levels, Definitions and Types of Foreign Aid
2. Assessing the Quality of Aid: The CDI
3. Three Views on the Impact of Aid on Growth
4. The Classic Challenges of Aid
   - Principal Agent Problems
   - Dependency
   - Conditionality
   - Fungibility
   - Externalities of Aid
   - Aid Related Corruption
5. Improving Aid Effectiveness

Reading List 1

1. Birdsall, Nancy. *Seven Deadly Sins: Reflections on Donor Failings* (2004) Centre for Global Development Working Paper Number 50 http://www.cgdev.org/content/publications/detail/2737
2. Bourguignon, F. and Sundberg, M. Aid Effectiveness: Opening the Black Box. American Economic Review (2007)
3. Burnside, Craig and Dollar, David. *Aid, Policies, and Growth* (2000) American Economic Review, 90(4), pp. 847–68.
4. Burnside, Craig and Dollar, David. *Aid, Policies, and Growth: Revisiting the Evidence* (2004) Policy Research Working Paper Series 3251, The World Bank.
5. Copenhagen Consensus (2008) http://www.copenhagenconsensus.com/Home.aspx
6. Duflo, Esther, Glennerster, Rachel and Kremer, Michael. Randomized Evaluations of Interventions in Social Science Delivery (2004) Development Outreach.
7. Easterly, William and Pfutze, Tobias. *Where Does the Money Go? Best and Worst Practices in Foreign Aid* (2008) Journal of Economic Perspectives, Vol. 22, No.2.
8. Easterly, William, Levine, Ross and Roodman, David. *New Data, New Doubts: Revisiting Aid, Policies, and Growth* (2003) Centre for Global Development Working Paper 26.

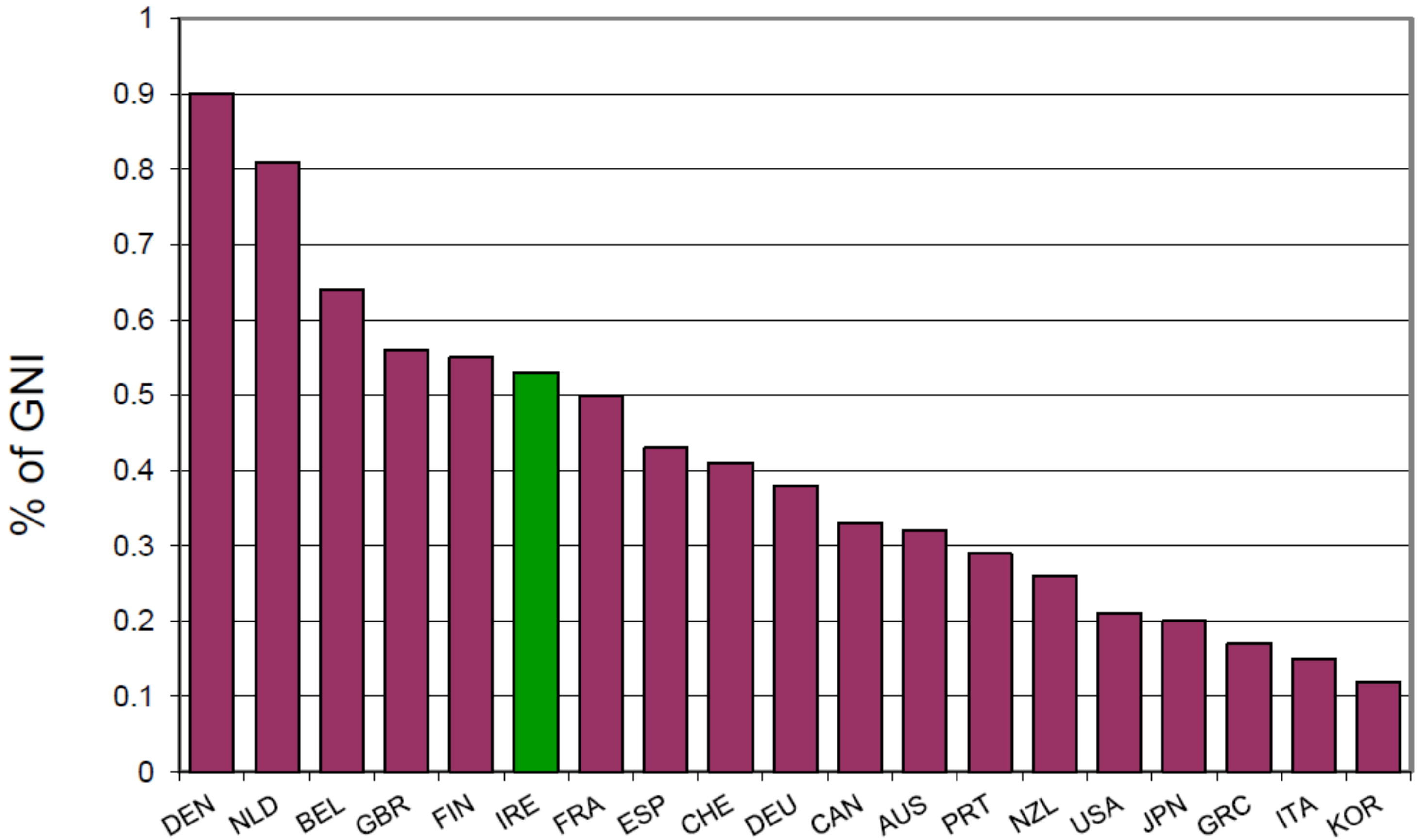
Reading List 2

9. Easterly, William. *The Elusive Quest for Growth* (2001)
10. Easterly, William. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. (2006) pp. 37-59 and 165-209.
11. Hook, Steven. *Ideas and Change in U.S. Foreign Aid: Inventing the Millennium Challenge Corporation* (2008) Foreign Policy Analysis. Volume 4 Issue 2, Pages 147 – 167
12. Easterly, William. *The Elusive Quest for Growth* (2001)
13. Easterly, William. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. (2006) pp. 37-59 and 165-209.
14. Hook, Steven. *Ideas and Change in U.S. Foreign Aid: Inventing the Millennium Challenge Corporation* (2008) Foreign Policy Analysis. Volume 4 Issue 2, Pages 147 – 167
15. King and Matthews (2012) Policy Coherence Indictors for Ireland http://www.tcd.ie/iiis/assets/doc/IIIS%20PCD%20Indicator%20Report%202012.pdf

Levels of Aid

- Global Official Development Assistance (ODA) increased in nominal terms from \$5bn to \$100bn per annum 1969-2005.
- % of developed countries GNI given in ODA has declined from 0.51% in 1960 to 0.23% in 2002.
- In 2005 Iraq (\$21.7bn) received the largest level of aid, Afghanistan second at \$2.8bn.
- Poverty level not the dominant motivation.

DA.1.1 – Policy Input - Level of Overseas Aid (ODA), % of Gross National Income (GNI), 2010.



Ireland's Performance: Ireland's Overseas Development Aid (ODA) grew from 0.39% of GNI to 0.59% in 2008 before falling to 0.53% in 2010. The modest fall in ODA as a percentage of GNI between 2008 and 2010 masks the significant decline in ODA from a peak of €920.6 million in 2008 to €675.8 million in 2010.

King & Matthews (2012)

Definition of Aid

- Aid should
  - Have non-commercial motivations
  - Be characterised by consessional terms
  - Can include in-kind donations
  - Not include pure military aid
- Forms include official bilateral aid, multilateral aid and private unofficial

Types of Aid

1. Project Aid: Aid is given for a specific purpose e.g. building materials for a new school.
2. Programme Aid: Aid is given for a specific sector e.g. funding of the education sector of a country.
3. Budgetary Support: A form of Programme Aid that is directly channelled into the financial system of the recipient country.
4. Technical Assistance: Educated personnel, such as doctors, health specialists assist with a programme of development.
5. Food aid: Food is given to countries in urgent need of food supplies, especially if they have just experienced a natural disaster.

Non- Altruistic Motivations for Aid

- Non-altruistic
  - Political motivations (US aid during the Cold War and more recently to the Middle East, purchasing international credibility)
  - Economic self interest (maintaining a sphere of influence)
  - To stimulate economic growth and increase consumer demand
  - Sale of technology, grain surplus and expertise from donor country (90% of Canadian food aid was ties to Canadian purchases)

The UN Aid Target

- Five donors exceed the UN target of 0.7% of GNI in 2006
  - Sweden (1.03%), Luxembourg (0.89%), Norway (0.89%), the Netherlands (0.81%) and Denmark (0.8%)
  - Another 11 DAC and EU members have made a commitment to reach 0.7% by 2015.
  - Remaining 6 of 22 DAC members have not set a timetable including Australia, Canada, Japan, New Zealand, Switzerland and the US.

Official Development Assistance Disbursements from Major Donor Countries, 1985, 2002, and 2005

Donor Country	1985 Billions of U.S. Dollars	1985 Percentage of GNI	2002 Billions of U.S. Dollars	2002 Percentage of GNI	2005 Billions of U.S. Dollars	2005 Percentage of GNI
Canada	1.6	0.49	2.0	0.28	3.4	0.34
Denmark	—	—	1.6	0.96	2.1	0.81
France	4.0	0.78	5.5	0.38	9.9	0.47
Germany	2.9	0.47	5.3	0.27	10.0	0.36
Italy	1.1	0.26	2.3	0.20	4.9	0.29
Japan	3.8	0.29	9.3	0.23	13.5	0.28
Netherlands	1.1	0.91	3.3	0.81	5.0	0.82
Sweden	—	—	2.0	0.83	3.4	0.94
United Kingdom	1.5	0.33	4.9	0.31	10.6	0.47
United States	9.4	0.24	13.3	0.13	26.9	0.22
Total (22 countries)	29.4	0.35	58.3	0.23	104.8	0.33

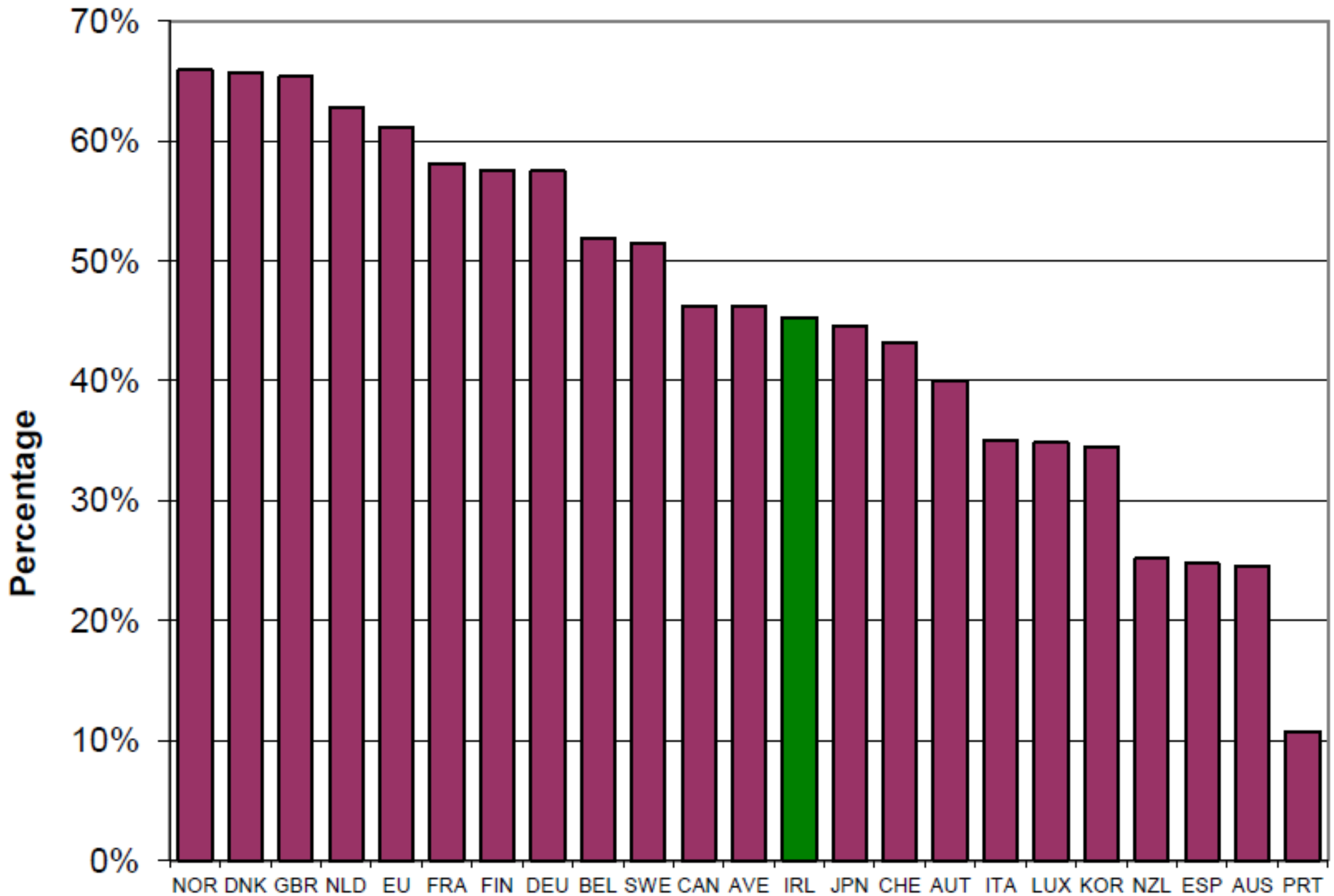
Sources: World Bank, *World Debt Tables, 1991–1992* (Washington, D.C.: World Bank, 1992), vol. 1, tab. 2.1; World Bank, *World Development Indicators, 2004* and *2007* (Washington, D.C.: World Bank, 2004, 2007), tabs. 6.9 and 6.10.

Official Development Assistance (ODA) by Region, 2005

Region	ODA Per Capita (U.S. $)	GNI Per Capita (U.S. $)	GNI Per Capita ($ PPP)	ODA as Share of GNI (%)
Middle East and North Africa	88	2,198	6,084	3.9
Sub-Saharan Africa	44	746	2,004	5.5
Latin America and Caribbean	11	4,045	8,116	0.3
East Asia and Pacific	5	1,630	5,914	0.3
South Asia	6	692	3,142	0.9
Europe and Central Asia	11	4,143	9,152	0.2

Source: World Bank, *World Development Indicators, 2007* (Washington, D.C.: World Bank, 2007), tabs. 1.1 and 6.11.

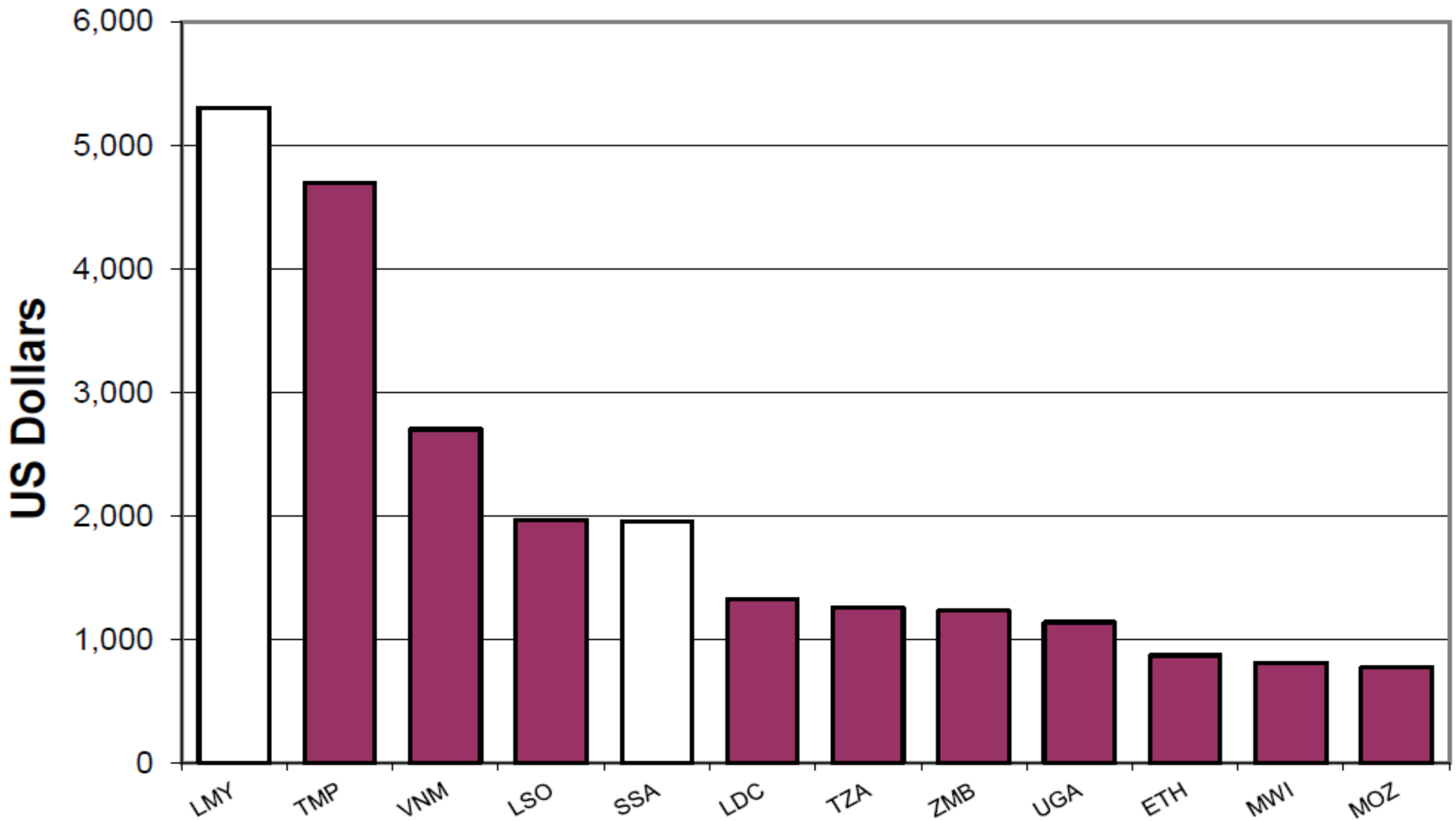
DA.3.1 – Policy Output – % of Aid Flows Disbursed for Government Sector in 2007.



Ireland's Performance: Ireland's 45% of overseas aid channelled directly to partner governments is not particularly unusual. In fact the percentage is even higher for many of the OECD's leading donors such as Norway, Denmark, Germany and Denmark.

King & Matthews (2012)

DA.2.1 – Partner Country - Irish Aid Partner Country GNI per capita in 2008, PPP (International Dollars).



Partner Country Performance: Six of Ireland's partner countries have lower income levels than the sub-Saharan average indicating that Ireland's aid programme is focused on some of the poorest countries in the world. Vietnam and Timor-Leste, Irish Aid's two partner countries in Asia have higher average income levels.

King & Matthews (2012)

Notable Achievements Supported by Aid

- Transfer of agricultural technology that inspired the ‘Green Revolution’
- Advances in public health such as small pox eradication, almost complete polio eradication and primary health care
- Promotion of micro-finance and micro credit organisations

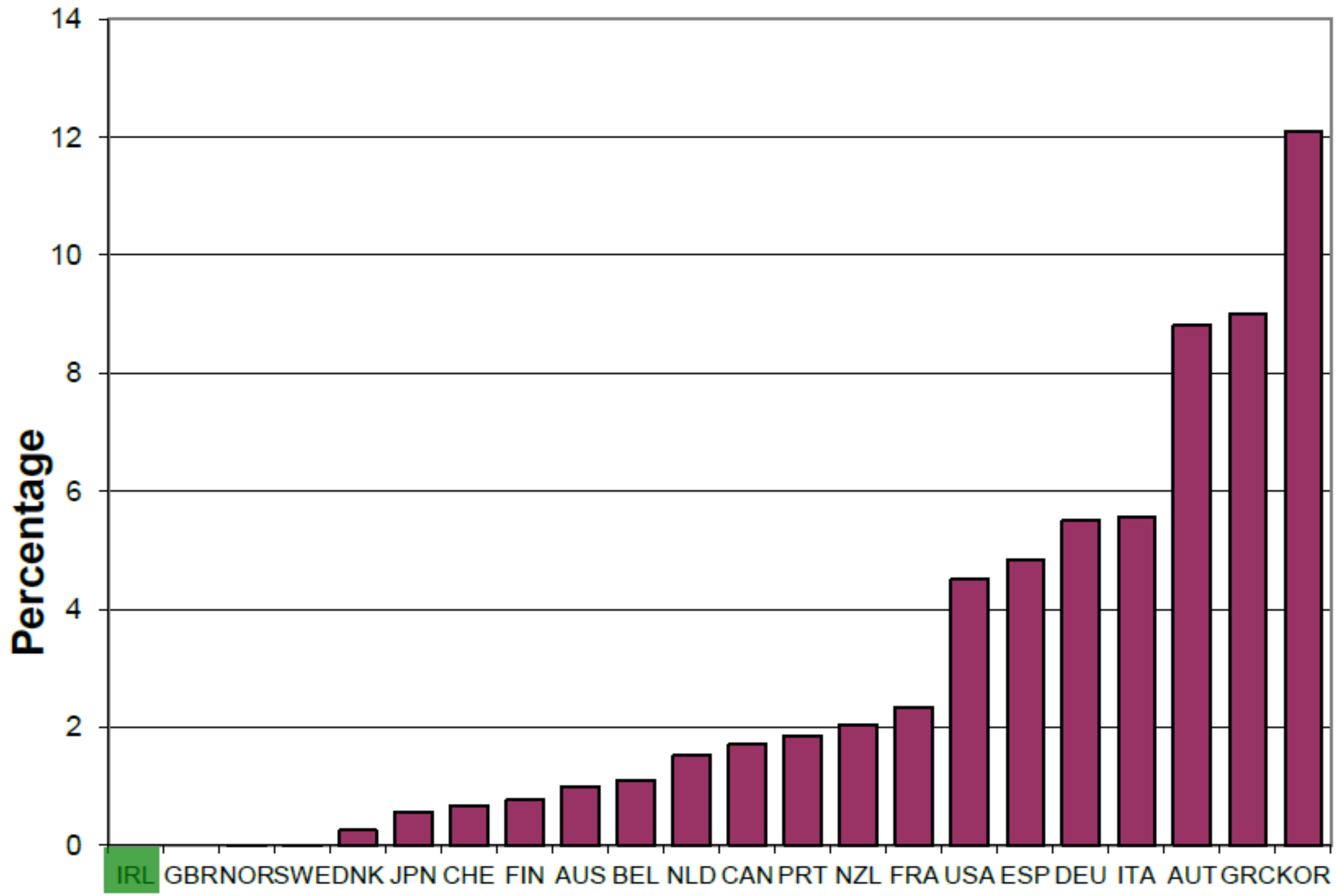
Towards Quality Aid: Commitment to Development Index (CDI)

- The aid component of Roodman (2009) starts with a measure gross aid flows, then discounts it to reflect several quality concerns such as:
  - Tying
  - Selectivity
  - Project proliferation
  - Also factors in private charitable giving to developing countries to the extent this can be credited to government fiscal policy.

CDI: Construction of the Aid Component

- Starting point is gross aid contributions = gross disbursements of grants and concessional (low-interest) loans for each donor (bilateral or multilateral)
- Tied aid is discounted 20%. Studies suggest that tying raises aid project costs 15–30%. Partially untied aid is discounted 10%.
- Principal and interest payments are netted out, to more closely reflect net transfers to recipients.
- Tied-discounted net transfer multiplied by “appropriateness weight”:
  - Better-governed (Kaufmann-Kraay composite governance score)
  - Country’s poverty level.

DA.3.2 – Policy Output – ODA Expenditure Lost to Tied Aid, % of Gross Aid, 2009.



Ireland's Performance: Tied aid is not a practice of Ireland's aid programme. Ireland is a world leader in this respect, with many OECD donor countries undermining the effectiveness of their aid programme by up to 8% of total flows.

King & Matthews (2012)

CDI: Construction of the Aid Component

- There are two exceptions to this discounting:
  - Emergency aid is exempted from both poverty and selectivity discounting
  - Aid meant to improve governance
- A final consideration is project proliferation
  - Project proliferation is thought to overburden recipient governments with administrative and reporting responsibilities, and lure the most talented workers out of government and into the employ of the donors
- The aid component also rewards policies that encourage private charitable giving to development organizations. Private giving is encouraged by specific tax incentives that lower the “price” of giving.

1. Aid to Growth: Positive Relationship on Average

- Aid has a positive relationship with growth on average across countries although not in every country, but with diminishing returns. Three channels include:
  1. Aid augments saving, finances investment, and adds to the capital stock, poor countries are unable to generate sufficient amounts of saving to finance the investment
     - Poorest countries may be stuck in a poverty trap in which their income is too low to generate the saving necessary to initiate the process of sustained growth (Sachs, et. al., 2004).
  2. Aid increases worker productivity through investments in health or education.
  3. Aid leads to a transfer of technology or knowledge to poor countries by paying for capital goods imports, through technical assistance, or through direct transfer of technologies such as the introduction of new seeds and fertilizers in the Green Revolution.

Evidence

- Studies found a positive linear relationship between aid and growth (e.g., Papenek, 1973; Levy, 1988)
- Large group of studies that allow for diminishing returns found a positive relationship (Aid Laffer curve)
- Conclude that on average and controlling for other factors, such as geography, political conflict, policies, and institutions higher aid explain much of the variance in growth rates among aid recipients (important variance around the trend line).
- Case study evidence: aid has a positive impact on health, education, or the environment.
- But little systematic evidence on the relationship between aid and health, education, income distribution, or other outcomes.

2. Aid: No Affect on Growth & May Undermine It

- More recent empirical studies reached conclusion no relationship between aid and growth. Possible reasons suggested include:
  1. Aid is wasted, such as on limousines or presidential palaces, encourages corruption
  2. Helps keep bad governments in power, helping to perpetuate poor economic policies and postpone reform.
  3. Countries have limited absorptive capacity to use aid flows effectively with relatively few skilled workers, weak infrastructure or constrained delivery systems.
  4. Aid can reduce domestic saving, both private saving and government saving (though its impact on government tax revenue). Taxation is important for fostering politically active citizens.
  5. Aid flows can undermine private sector incentives for investment or to improve productivity.
  6. Aid can cause the currency to appreciate, undermining the profitability of the production of all tradable goods (Dutch disease – when aid or commodity boom revenues are partially spent on non-traded goods, increasing prices, hurting export competitiveness).
  7. Food aid, if not managed appropriately, can reduce farm prices and hurt farmer income.
  8. Bulir and Hamann (2003): aid is significantly more volatile than domestic fiscal revenue up to 7 times in the case of heavily-dependent countries

Evidence

- Empirical studies that have found no relationship between aid and growth have been influential.
  - Most also only examine aggregate aid
  - Imposing the restriction that all aid has a similar impact on growth, which is not particularly realistic
  - Famine relief, immunization programs, and road projects are all likely to have very different impacts on growth.
- Some studies have shown that a dollar of aid adds less than a dollar to total saving and investment (substitution effect)

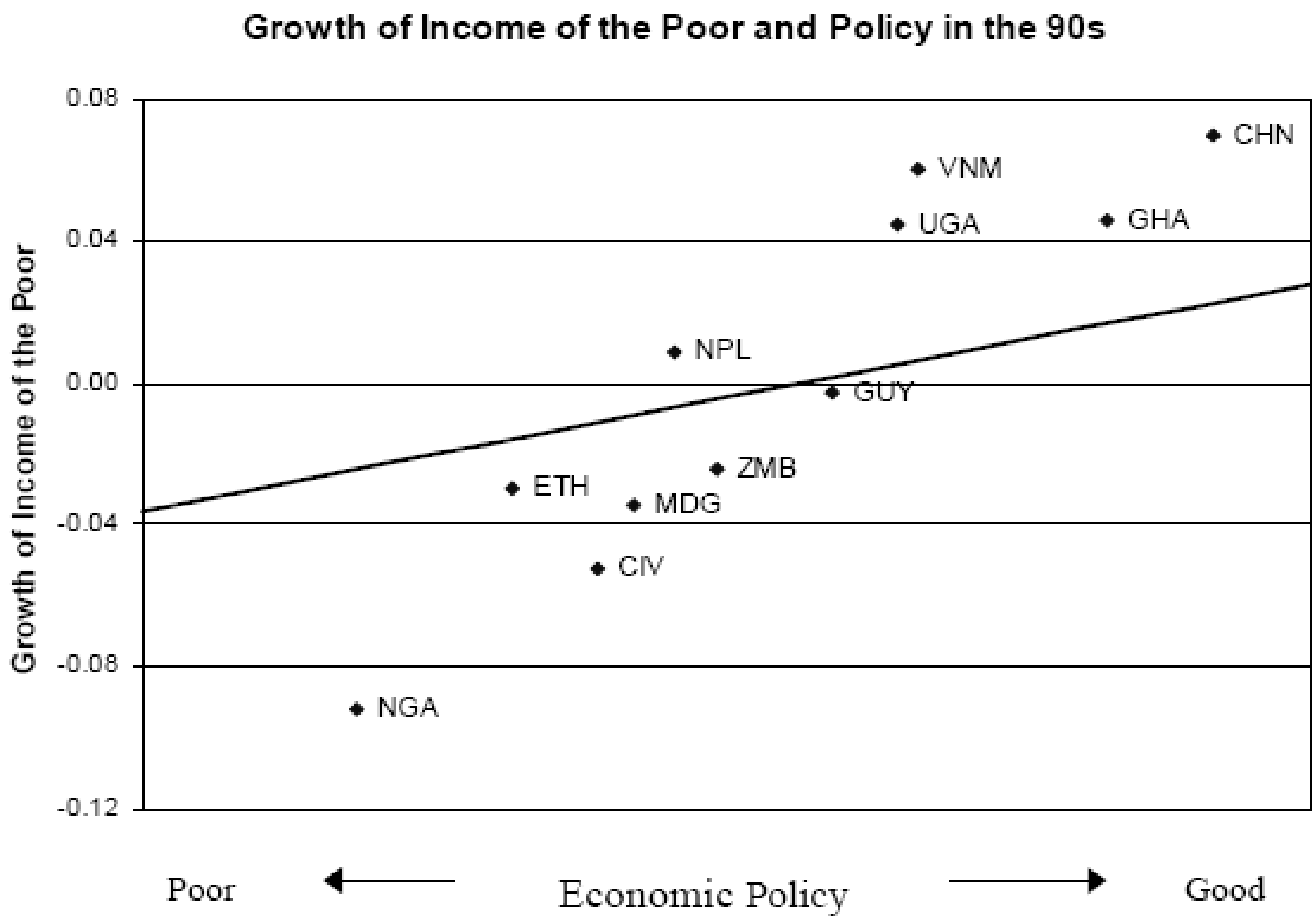
3. Aid has a Conditional Relationship with Growth

- Aid supports growth in some circumstances but not others, and searches for key characteristics associated with the difference.
- This “conditional” strand of the literature has three subcategories, with the effectiveness of aid depending on the
  - characteristics of the recipient country
  - the practices and procedures of the donors
  - the type of activity that the aid supports.
- Different country characteristics that might affect the aid-growth relationship include:
  - export price shocks
  - climatic shocks
  - the terms of trade
  - macroeconomic and trade policies
  - institutional quality
  - warfare
  - type of government
  - location in the tropics

Evidence

- World Bank projects had higher rates of returns in countries with stronger civil liberties (Kaufmann et al, 1995)
- Burnside and Dollar (2000) concluded that aid stimulated growth in countries with good policies, but not otherwise.
- However, Easterly, Levine, and Roodman (2004) find that the original Burnside and Dollar results do not hold up to modest robustness checks.

Evidence: Importance of Good Policy



Source: Collier and Dollar (2001)

Definition of Good Economic Policy used by Collier and Dollar (2001)

WB's Country Policy and Institutional Assessment (CPIA)

- ***Macroeconomic policies***
  - whether fiscal, monetary, and exchange rate policies provide a stable environment for economic activity
- ***Structural policies***
  - the extent to which trade, tax, and sectoral policies create good incentives for production by households and firms
- ***Public sector management***
  - the extent to which public sector institutions effectively provide services complementary to private initiative, such as the rule of law (functioning of the judiciary, police), infrastructure, and social services
- ***Social inclusion***
  - the extent to which policy ensures the full participation of the society through social services that reach the poor and disadvantaged, including women and ethnic minorities

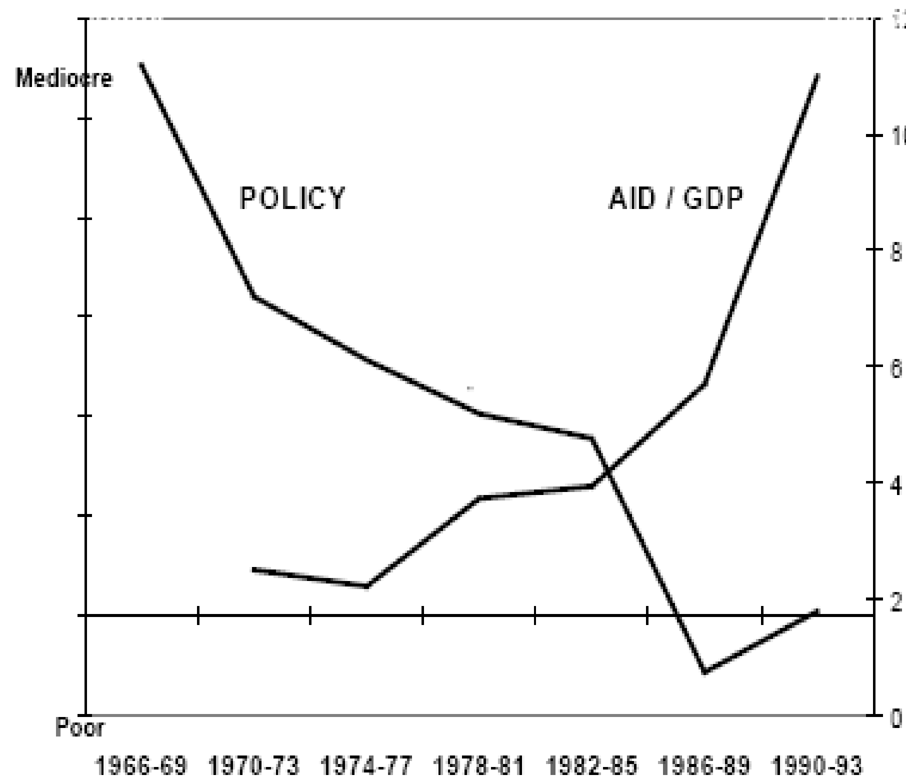
Can Aid Defer Reforms?

- Collier and Dollar (2001) argue that the high level of budgetary support received by Kenya in the 1980s supported:
  - Civil service overmanning
  - Public enterprise inefficiencies
  - Permitting the government to defer reforms in these areas until the 1990s.

Case Study: Zambia

- Collier and Dollar (2001) cite Zambia in the 1970s and 1980s as an example of the impotence of policy-based assistance in the face of a non-reforming government.
- Zambian policy got continually worse while at the same time aid increased.

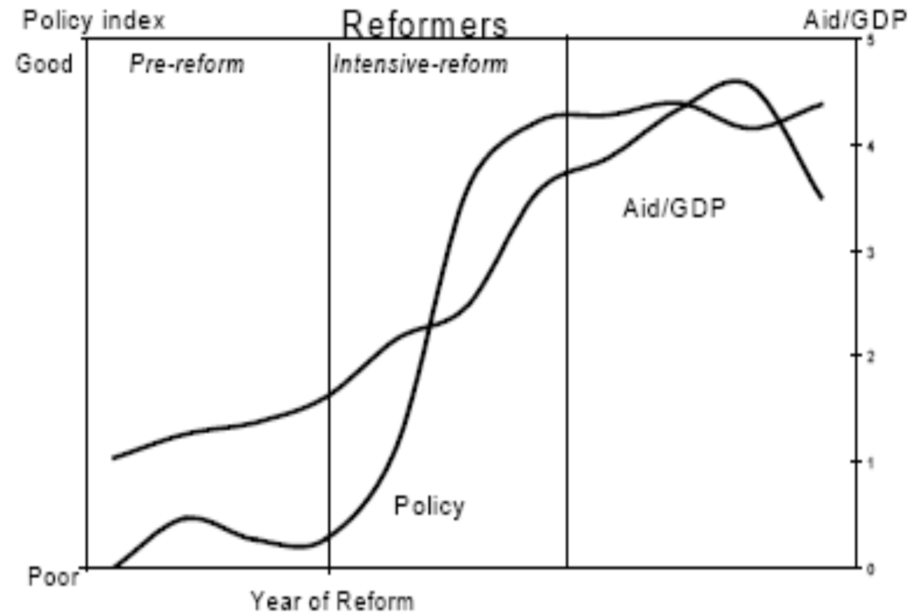
Figure 4. Zambia: Aid and Policy



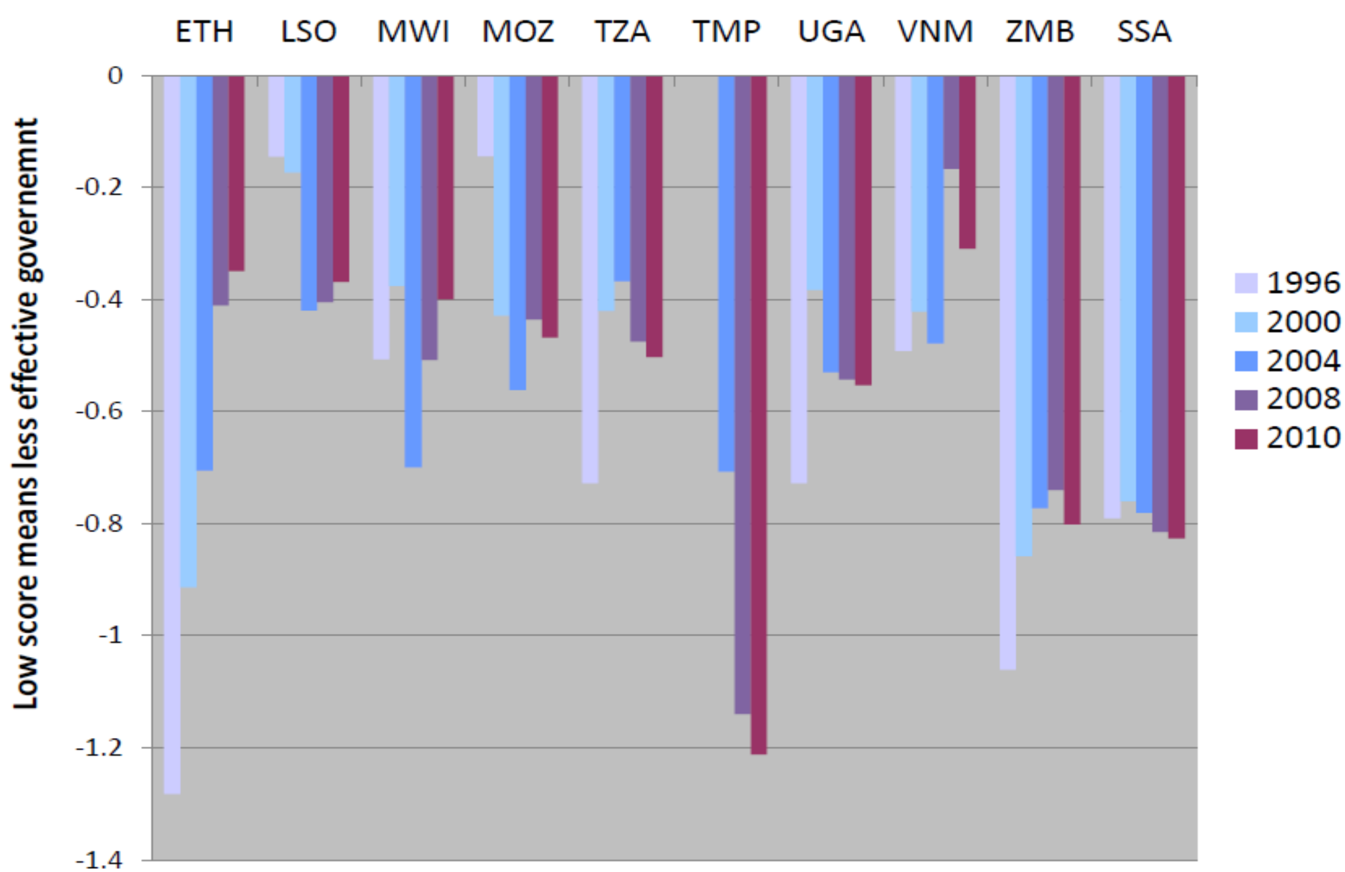
Case Studies: Ghana, Uganda, and Vietnam

- Ghana and Uganda received very small amounts of aid during period of poor policy.
- New governments committed to making things better, but not initially committed to market-oriented reforms.
- Graph shows the pattern of aid and policy for the three successful low-income reformers, Ghana, Uganda, and Vietnam.
- Financial support provided the government with the breathing space required to contain domestic opposition to market-based reforms

Fig. 5. Aid and Policy in Successful Reformers



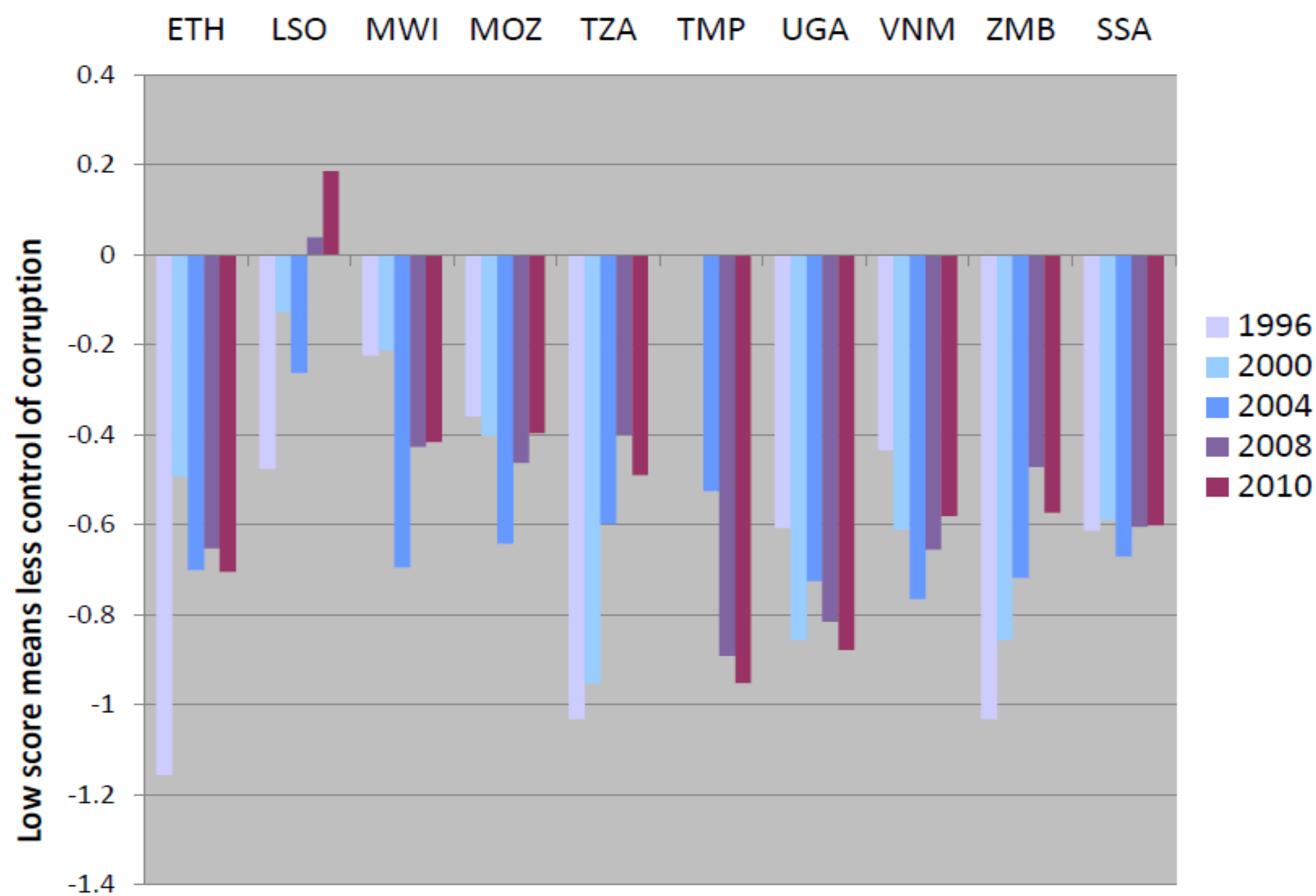
DA.2.2 – Partner Countries – Governance Quality, Kaufman and Kraay Government Effectiveness Scores, 2010.



Partner Country Performance: The Kaufman and Kraay methodology for assessing the effectiveness of government suggests that Irish Aid partner countries enjoy more effective administrations than the average sub-Saharan African country. Since 1996, the performance of the Irish aid partner countries has been mixed. Government effectiveness has improved in Ethiopia, Malawi, Tanzania, Uganda, Vietnam and Zambia. Elsewhere scores have disimproved.

King & Matthews (2012)

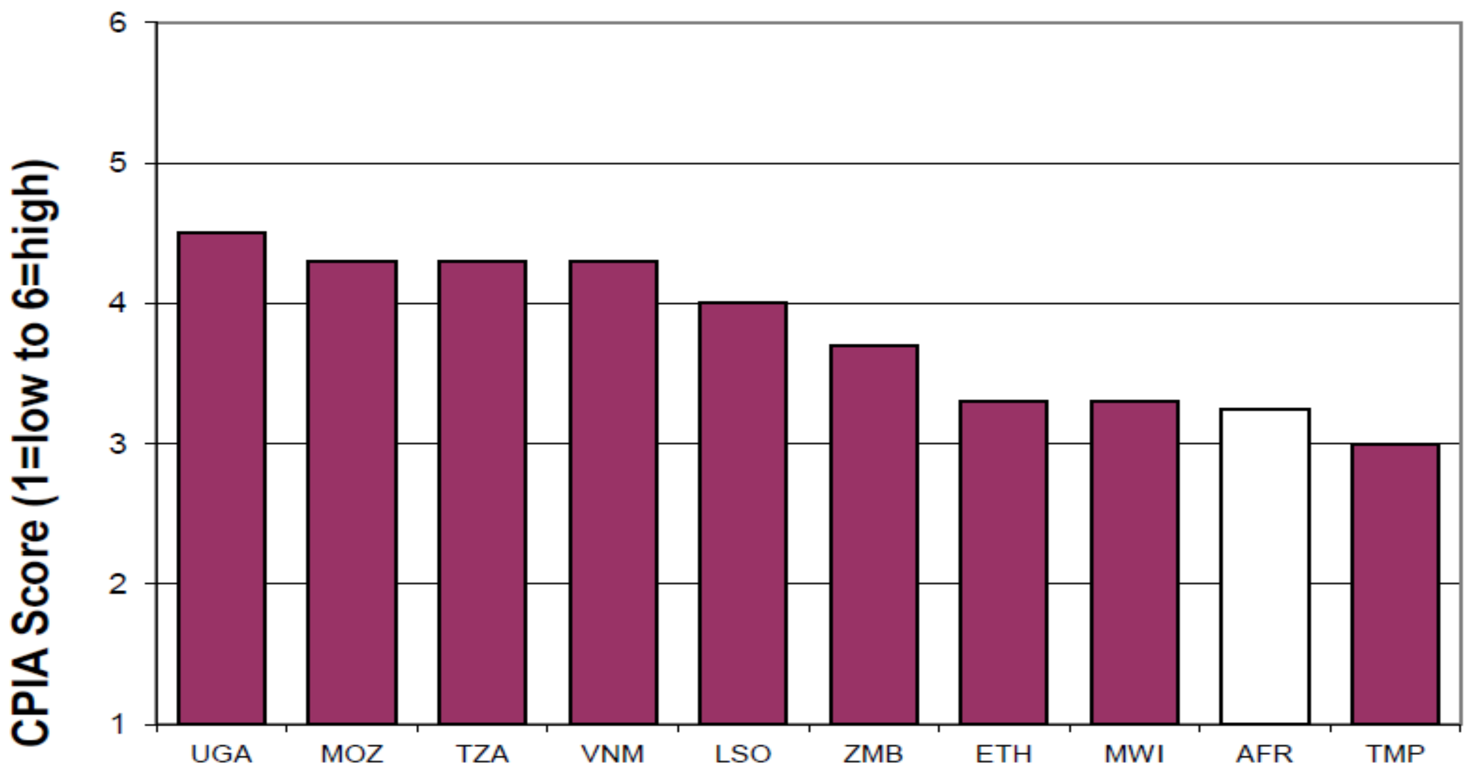
DA.2.3 –Partner Country – Corruption Levels, Kaufman and Kraay Control of Corruption Scores, 2010.



Partner Country Performance: Of the African-based Irish Aid partner countries only Uganda and Ethiopia have higher levels of corruption than the sub-Saharan Africa average. Indeed Malawi, Lesotho and Mozambique have notable higher success at the control of corruption. Since 1996 Ethiopia, Lesotho, Tanzania and Zambia have improved their control of corruption. However control of corruption scores have disapproved in Malawi, Mozambique, Timor-Leste (since 2004), Uganda and Vietnam.

King & Matthews (2012)

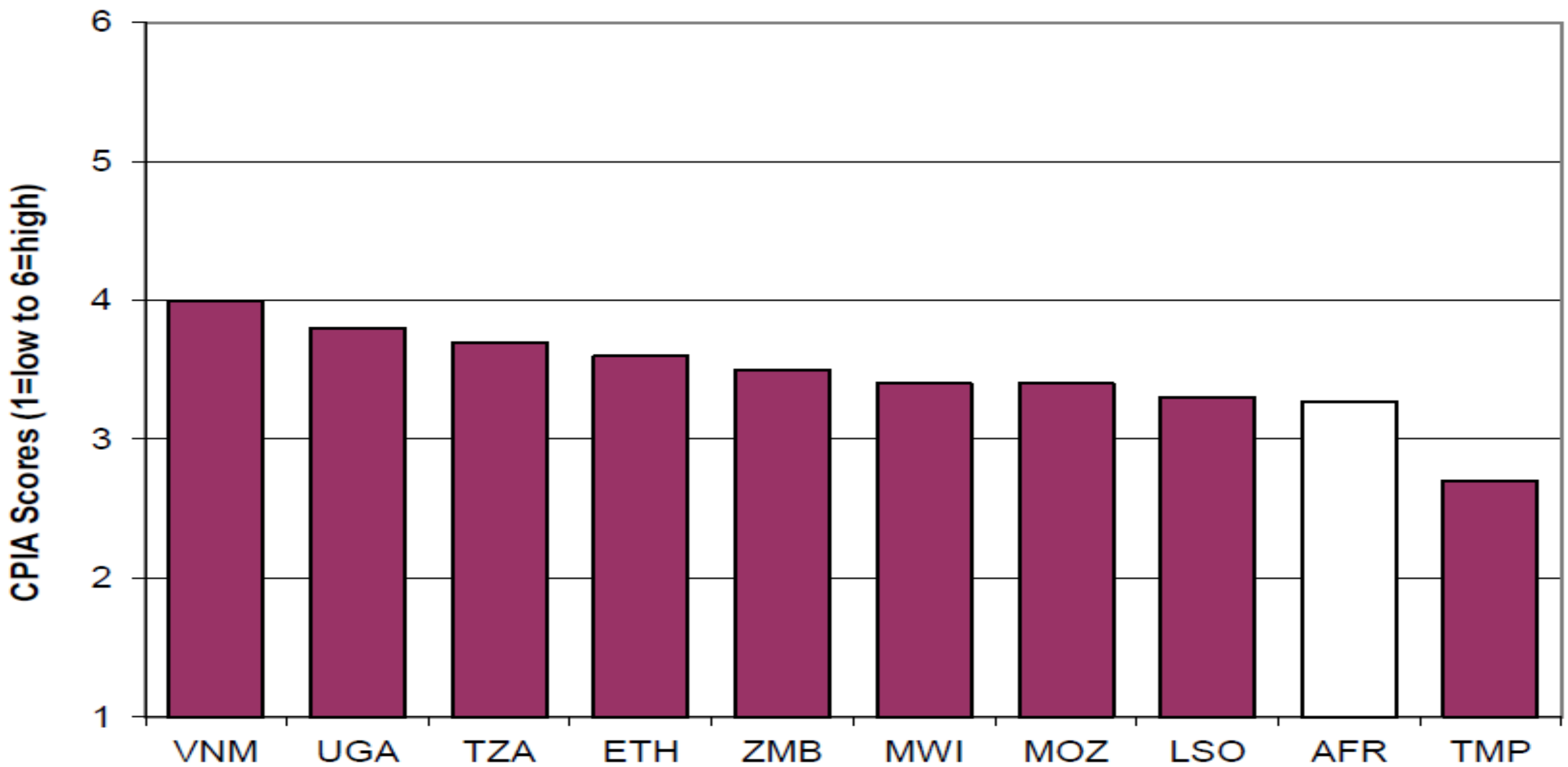
DA.2.4 –Partner Country – CPIA Economic Management Quality Cluster Average, 2008.



Partner Country Performance: The World Bank's Country Policy and Institutional Assessment (CPIA) assesses the conduciveness of a country's policy and institutional framework to poverty reduction, sustainable growth, and the effective use of development assistance. The economic management cluster includes measures of the quality of policy and institutions related to macroeconomic management, fiscal policy and debt policy. It is notable that Irish aid countries compare well to the Africa average. Only Timor-Leste scores below the African average.

King & Matthews (2012)

DA.2.5 – Partner Country – Strength of Social Inclusion Policies, CIPA, 2008.



Partner Country Performance: The World Bank's Country Policy and Institutional Assessment (CPIA) assesses the conduciveness of a country's policy and institutional framework to poverty reduction, sustainable growth, and the effective use of development assistance. The social inclusion and equity cluster comprises of measures of gender equality, equity of public resource use, focus on education, social protection and labour and focus on environmental sustainability. Irish Aid countries again perform better than the average African country for focus on social inclusion. Only Timor-Leste scores below the African average.

King & Matthews (2012)

The Current Consensus

- View that aid works better (or only) in countries with good policies and institutions has become the conventional wisdom among donors
- The idea feeds directly into the World Bank's Performance Based Allocation (PBA) system and the new Millennium Challenge Account (MCA)

Conditionality

- Is conditionality enforced?
  - Svensson (1997) examined data on WB loan trance releases. Finds that in majority of cases when conditionality is violated trance is still released.
- When does conditionality work?
  - Dollar and Svensson (2000) examine the success and failure of WB structural adjustment programmes (SAPs)
  - A few political economy variables can predict the outcome of a programme 75% of the time – rationale for greater selectivity.

Principal-Agent Problem

- Aid involves a long and complex chain of principal-agent relationships
- Donor (principal) designs a contract to achieve an objective (poverty reduction)
- LDC government (agent) accepts or rejects contract and chooses actions in light in of contract and other incentives
- Moral hazard occurs when the interests of the recipient are not aligned with the donors
- Time inconsistency occurs when it is not in the best interest of the donor to carry out a threat or promise that was initially designed to influence LDC government's actions

Dependency on Aid

- 40% -75% of the budgetary resources in many developing countries, notably East African countries, come in the form of foreign aid
- Friedman 1957: “by strengthening governments at the expense of the private sector aid will reduce pressure on the government to maintain a favourable environment to private enterprise”.

Fungibility

- If a donor gives for health care will health care expenditure increase in a country one for one?
- Often the answer is no
- Not necessarily corruption
- Argument for ring fencing contributions
  - May reduce the ability of aid money to adapt to the local situation

Externalities of Aid

- Aid reduces incentives to adopt good policies
- Aid overwhelms the administrative capacity of recipient governments
- Aid reduces accountability to citizens
- Aid works like welfare dependency
- Aid flows are highly volatile and thus a source of volatility rather than a source of sustained growth

Aid Related Corruption

- Transfer of public funds to non-existent companies
- Money redirected into foreign banks
- Patronage Politics
- Cronyism
- Over consumption by the elite class
- Public Procurement
- Resell of food aid

How to Channel Aid?

- **Simple Partnership**
  – Agreeing the priorities together
- **Working through governments**
  – Letting the government implement the projects which the donor chooses
  – Weakens ownership of the development process
- **Working Around Governments (through NGOs)**
  – Weakens local institutions
  – May be necessary in some situations

Improving Aid Effectiveness 1

- Selectivity: Donors should be more selective about the countries to which they provide aid, based on the view that aid works best in countries with good policies and institutions.
- Examples:
  - World Bank allocation of concessional IDA funds
  - Some European donors in terms of providing budget support
  - US’s new Millennium Challenge Account.

Improving Aid Effectiveness 2

- Country Ownership: Recipient led approach to setting priorities as aid has been weakened by donor domination in setting priorities.
- Recipient Participation: Greater participatory approach in which various groups in recipient countries (government, NGOs, charities, the private sector) play a more active role.
- Examples: WB and IMF’s Poverty Reduction Strategy Papers are a new approach so results are yet uncertain.

Improving Aid Effectiveness 3

- **Harmonization and Coordination**
  - Managing aid flows from many different donors huge challenge for recipient countries – every donor has own unique processes for initiating, implementing, and monitoring projects.
  - Donors all want to meet with the same top government officials (stretching weak capacity)
  - Recent moves to coordinate donor activities and harmonize their systems

Improving Aid Effectiveness 4

- **Results based management**
  - Results-based management with very specific quantitative targets, and decisions about renewing or re-allocating aid going forward should be based on those results.
  - Improved monitoring and evaluation is a necessary complement.
  - Objectives:
    1. Help donors allocate funds
    2. Detecting problems at an early stage to help modify and strengthen existing programs
    3. Improving design of future programs
  - Risks to this approach as well.

Exploring the Attribution Problem: What is the exact impact of aid?

- Budgetary Support
  - Not possible to prove the impact of aid.
  - Macroeconomic models provide suggested outcomes.
- Projects
  - Most evaluations capture the inputs and the outputs. In some cases there is evidence of changes in outcomes
  - Rigorous evaluations offer the potential for changes in outcomes to be attributed to aid

Establishing a Counterfactual and Assigning Attribution

- Counterfactual: What would have happened in the absence of the programme? Not observable as we only live once.
- Can establish a credible counterfactual through randomisation or a convincing argument that a certain excluded group mimics the counterfactual.
- Once the treatment group (those who receive the intervention) and the control group (those who do not receive the intervention and represent the counterfactual) are established, the difference in their respective outcomes can be attributed to the intervention.

Example:
De-worming in Western Kenya

- About 30,000 children in 75 primary schools in rural Kenya were treated en masse in schools with drugs for hookworm, whipworm, roundworm, and schistosomiasis (bilharzia).
- Randomly phased into schools over several years
- Randomisation by school and individual
- **Key Impacts**
  - Reduced the incidence of moderate-to-heavy infections by 25 percentage points.
  - Reduced school absenteeism by 25 percent, with the largest gains among the youngest pupils.
  - School participation in the area increased by at least 0.14 years of schooling per treated child.
  - There was no evidence that de-worming increased test scores.

- By far the most cost-effective method for improving school participation

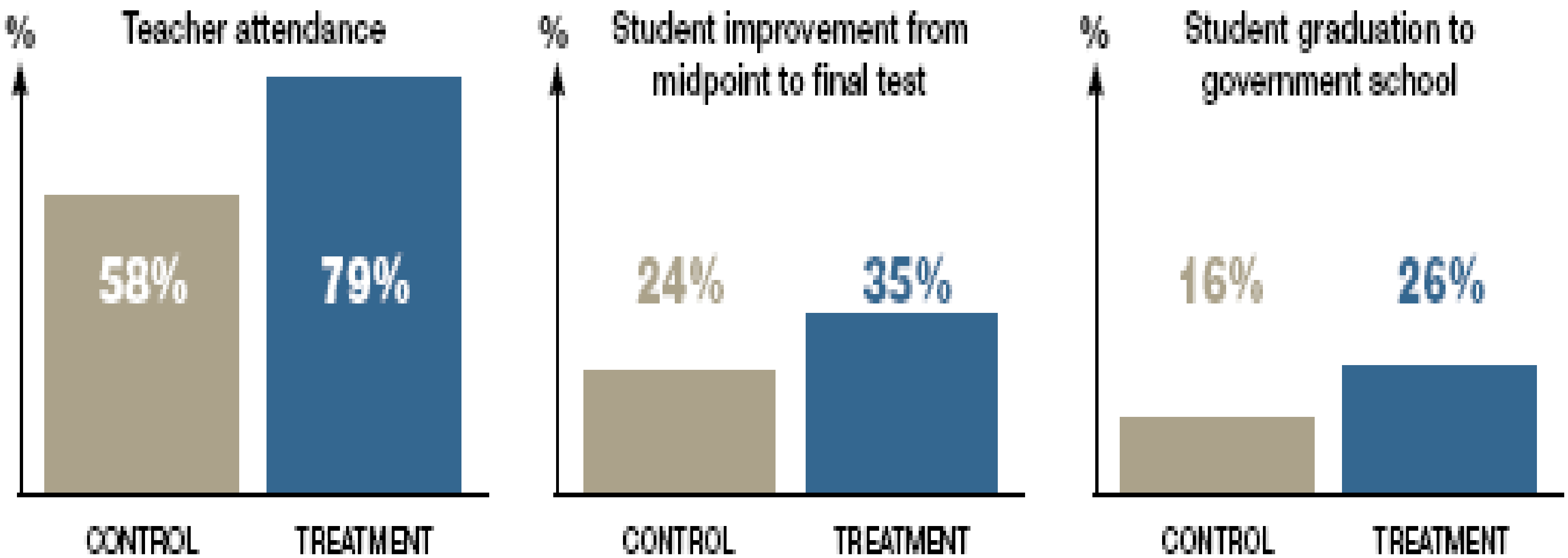
Example: Teacher Absenteeism

- Chaudhury et al. (2006): results of almost 70,000 surprise visits to a representative sample of primary schools and clinics across 9 poor countries.
  - Teachers were absent 19 percent of the time on average, and health care workers 35 percent of the time.
  - In general, the poorer the country the higher the absence rates. On an average day, 27 percent of teachers are not at work in Uganda.

Project to Combat Absenteeism

- Re-orientating Pay Structure
  - Ordinarily, teachers were paid a salary of Rs. 1,000 (about $22) per month, for 21 days of teaching
  - In the treatment schools, guaranteed base pay of Rs. 500.
  - Rewarded with Rs. 50 for each valid day taught
  - Under new system, monthly pay ranged from Rs. 500 to Rs. 1,300
- Verification by Camera
  - Student take a picture of teacher and other students at the beginning and end of day
  - Teacher present if 5 hour difference and min number of students present
  - Cameras collected a few days before the end of a pay period

Results: Project to Combat Absenteeism



Conclusions

- Aid allocation primarily driven by strategic considerations
- Weak relationship in the cross country data, subject to diminishing returns
- Some evidence that this relationship is conditional on good policies – though this is debated
- Moral hazard suggests role for aid conditionality
- History of aid effectiveness is poor, although new techniques for establishing impact are now available
- Past performance does not condemn future performance because
  - Aid has not been allocated for growth or poverty reduction
  - Aid policy has not been credible – conditionality has not been enforced

The way forward

- Strengthen government institutions
- Civilian involvement
- Knowledge of domestic politics
- More rigorous evaluations
- Acknowledge LDC development is not all about aid, reform non-aid policies to help LDCs (Policy Coherence for Development Agenda)

Documentary 1: Far Away Up Close

1. Moral imperative to alleviate poverty
2. Who much of the aid reaches the poor?
3. Effectiveness of different aid modalities? NGOs? Budget Support?
4. Budgetary support could be made conditional on good governance but you will not reach a lot of people
5. Distinction between long term development assistance and humanitarian relief
6. Lack of political stability means that development gains are quickly lost again
7. When aid interventions are chosen by outsiders, they are more likely to fail
8. Sachs: Problems are solvable. The direct provision of bed nets, fertilisers and medicines will reduce poverty. MDGs achievable if political will is there.

Documentary 2: Panorama

1. The West has given £400bn to Africa in aid
2. What is the level of waste, inefficiency and corruption?
3. Ugandan Education: Almost 100% enrolment rate but 60% found to be illiterate and 75% of teachers not in classroom
4. Ugandan Health: Too much focus on high profile diseases rather than simple diseases and basic community health services
5. Resale market for free medicines highlighted
6. Weak partner capacity is a ongoing issue
7. Sierra Leone described as a leaky bucket